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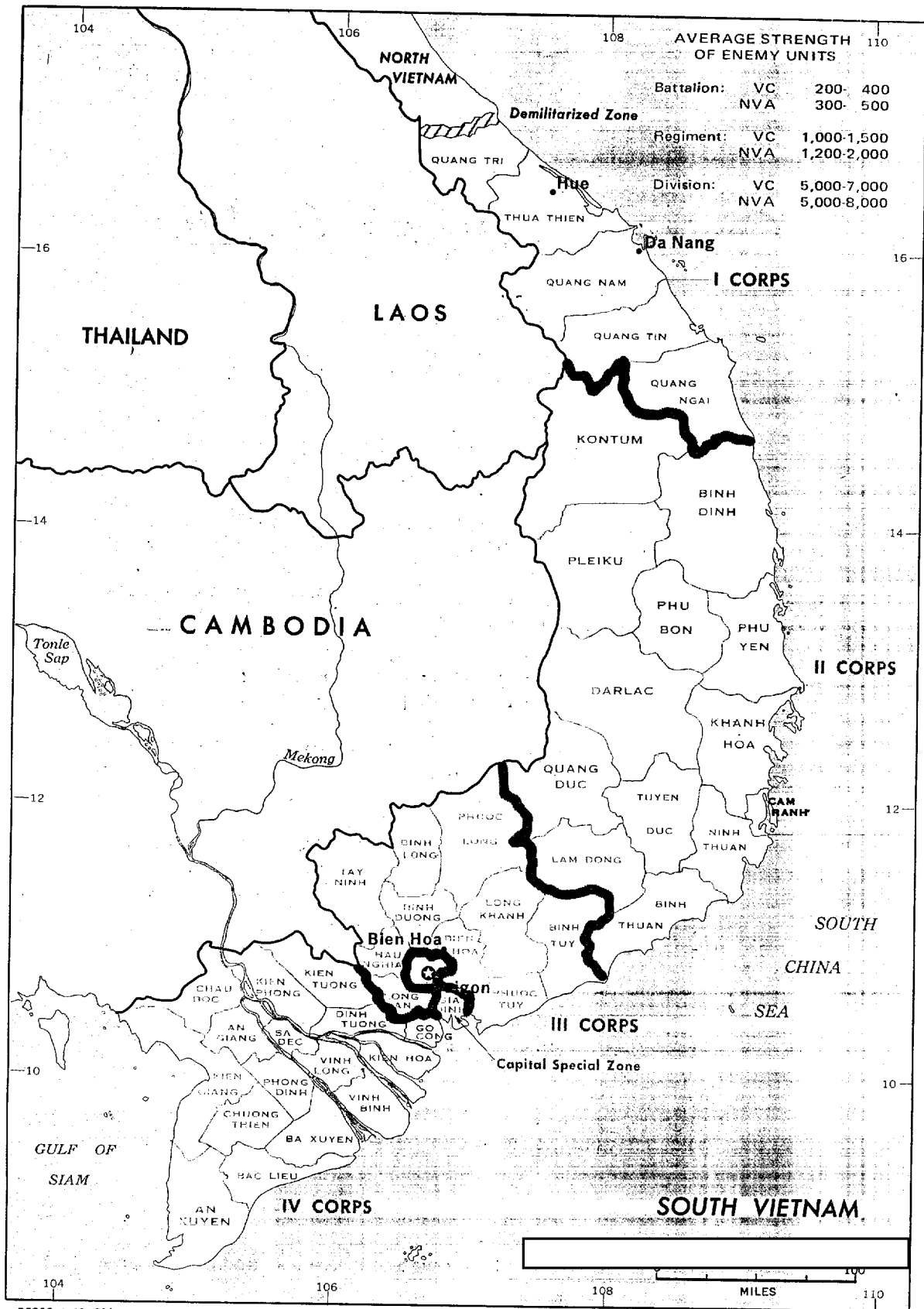
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South Vietnam: The Communists have evidently launched the "June phase" of their planned summer offensive.

More than 100 towns and military bases were shelled and several allied troop positions attacked on the night of 5-6 June in the heaviest day's fighting since 11-12 May. Military targets in the provinces around Saigon bore the brunt of the enemy attacks, but harassment also increased sharply in the Mekong Delta provinces and to a lesser extent in parts of the central highlands and coastal provinces. On the night of 6-7 June, Da Nang city and nearby US bases came under rocket and mortar fire causing generally light damage.

Although much of the shelling was light, more than 40 rockets struck installations at Bien Hoa air base, with US forces suffering the principal losses. Throughout the country, at least 40 US soldiers were killed and over 100 wounded. South Vietnamese casualties were fairly light.

A number of reports have indicated that the Communists plan a series of intensive but relatively limited offensive phases over the summer.

Enemy forces do not appear in a position to mount early large ground attacks against the major cities of Saigon, Da Nang or Hue.

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South America: [The likelihood of unrest and demonstrations is making the Brazilian, Uruguayan, and Argentine governments increasingly apprehensive over the Rockefeller mission, which has scheduled visits there later this month.]

[In Uruguay, workers and students have been staging sporadic demonstrations against unpopular government austerity policies for the past month, and civil servants plan a nationwide strike on 18 June, two days before Governor Rockefeller is scheduled to arrive. All leftist groups intend to demonstrate against the visit; the present unsettled conditions make violence a strong possibility. A political crisis growing out of a dispute between the President and the legislature is also contributing to local tensions.]

[In Argentina, [redacted] in the current atmosphere of student and labor unrest anti-Rockefeller demonstrations could easily turn into major disorders. Members of the leftist-oriented Argentine University Federation reportedly intend to organize demonstrations against the visit and to launch a propaganda campaign denouncing "US imperialistic control" of Argentine business.]

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[The Brazilian Government, too, is increasingly uneasy about the prospect of demonstrations and student strikes during the Rockefeller visit. The government's official position, however, remains one of "eagerly awaiting" the visit. The government has warned news media not to publicize any incidents hostile to the trip, and security forces are watching possible sources of either anti-US or antigovernment agitation. Radical student leaders, however, have so far eluded police and are pursuing their plans for demonstrations.]

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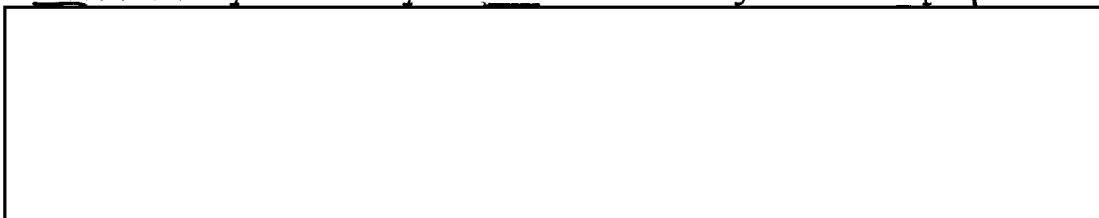
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[In Paraguay, which is to be visited during the same trip, students have been agitating at the university on local reform issues, but there are no indications that they plan to include the Rockefeller mission in their protests. In any event, the security forces are efficient and should be able to deal effectively with any trouble that might develop.]

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Uruguay: President Pacheco has suffered a major defeat in a hard-fought battle with Congress over his policy of economic austerity.

On 5 June the Congress voted, by an overwhelming majority, to censure a cabinet minister responsible for implementing a key aspect of Pacheco's program. Pacheco had made it clear that he would institute legal proceedings to dissolve Congress and call for new elections if his minister were censured by anything less than the constitutionally required three-fifths majority.

According to the constitution, Pacheco must accept the minister's resignation and cannot now call new elections. The anti-Pacheco forces were unable by themselves to muster the censure vote, but a key sector in the President's own party voted with the opposition at the last minute in a move to avoid new elections.

The defeat comes at a crucial time for Pacheco. Labor and student groups have been demonstrating against his economic policies sporadically, and a one-day nationwide strike is planned for 10 June. Popular and opposition pressure to ease the austerity policies has been mounting, and unless the defection of his own party colleagues was only temporary, the President's economic program is in danger of being significantly weakened.

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Ecuador: [The Velasco government decided on 3 June to strengthen security measures in the belief that rising student agitation is part of a leftist-terrorist conspiracy.]

[The decision may have been precipitated by pressure from top military and police officers, whose forces are insufficient to deal with the continuing terrorist activity that has been simultaneously disrupting several Ecuadorean cities. A crackdown is sure to be politically unpopular, and the government has been reluctant to adopt it. The forcible recovery of buildings at Guayaquil University on 29 May, which resulted in several student deaths and many injuries, has aroused widespread criticism from Velasco's many opponents, as well as some of his erstwhile political allies.]

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Panama: A minor cabinet shift on 5 June portends little change in the style of the military government, which remains firmly under the control of National Guard chief Torrijos.

The minister of government was removed and replaced by the finance minister, who in turn was succeeded by a Panamanian banking executive. A new Ministry of Commerce and Industries was established by splitting the former Ministry of Agriculture, Commerce, and Industry. A prominent electoral tribunal official and close confidant of Torrijos was shifted to head the new ministry.

A long-time leftist, Romulo Escobar, was named to the three-man electoral body that is charged with preparations for new elections next year. The reasons for his appointment are not clear, but Escobar apparently has close ties to the Torrijos family.

In another development, prominent architect and professor Edwin Fabrega was named rector of the University of Panama, which is scheduled to reopen on 16 June. The choice of Fabrega is viewed by the US Embassy as a potentially good one. The government hopes that its reorganization of the university administration and other reforms will keep the students in line.

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Communist China - USSR: Peking's statement alleging Soviet border violations clearly was timed to undercut Moscow's position in the current world Communist conference.

The Chinese Foreign Ministry note of 6 June rebutted recent "unofficial" Soviet charges of Chinese provocations by outlining in detail a series of alleged hostile Soviet actions along the eastern and Sinkiang borders following the Ussuri River clash of last March. The note complained of "continued" Soviet machinegun and artillery fire in areas along the disputed Ussuri and Amur River frontiers.

The Chinese are emphasizing border issues rather than ideological questions because they judge that this line of attack provides the best means of exploiting Moscow's current difficulties within the Communist movement. The Soviets will feel compelled to respond to the Chinese allegations in full, although they doubtless would prefer not to become involved in an acrimonious public exchange on this issue during the sensitive proceedings of the conference. A Soviet Foreign Ministry press spokesman yesterday rejected the Chinese charges and maintained that the frontier is "absolutely quiet."

[Poland's Gomulka and other speakers raised the Chinese question for the first time yesterday at the International Communist Conference meeting in Moscow. It can be taken for granted that these remarks were inspired by the Russians. The attack on the Chinese drew an immediate response from the Rumanian party chief, who warned that continued criticism would throw the conference into disarray.]



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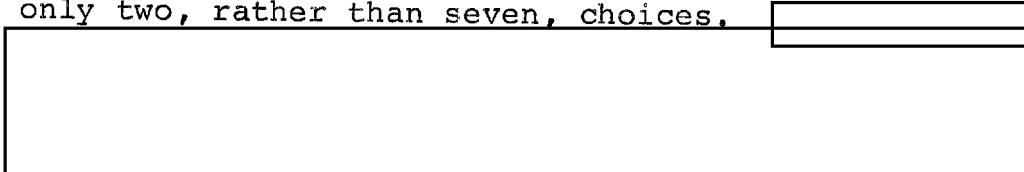
France: Poher's chance to win the presidency has been diminished further by defections from his own camp.

A growing number of centrist parliamentary deputies are expected to back Pompidou. In addition, the small right-wing Republican Alliance group has reversed its first-round stand and endorsed Pompidou. The National Center of Independents, which also endorsed Poher originally, is sharply split over what position to take. The leaders have postponed a decision until 10 June and, in the meantime, are permitting local federations to decide on an individual basis.

Other center leaders, including Pierre Sudreau--widely considered as Poher's most likely choice for prime minister--are either privately leaning toward Pompidou or maintaining silence in public.

A recent poll confirms Poher's downward spiral. Of those who had made up their minds to vote on the second round, only 42 percent supported Poher with 58 percent for Pompidou. Of the 42 percent favoring Poher, almost a quarter said they might change their minds, while 91 percent of Pompidou's supporters said their decision was firm. The poll also indicated that 51 percent of those who voted for the Communist candidate intend to abstain.

The polls, which failed to forecast Pompidou's impressive showing on the first round, may be more accurate for the runoff because voters now have only two, rather than seven, choices.



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USSR - Middle East: Moscow marked the anniversary of the 1967 war by strongly advising the Arabs against actions which risk another war with Israel.

An article in Pravda yesterday was one of Moscow's bluntest public warnings to "some Arab representatives" who advocate "recarving the map of the Middle East." It attacked such efforts as a boon to Israel and a threat to "progressive Arab regimes" and praised the "constructive position" of President Nasir. Pravda emphasized the UAR's "realistic" dedication to a political settlement "with due consideration for the actual...international situation." This may possibly indicate problems the Soviets are encountering because of growing Egyptian disillusionment with the course of major power efforts to bring about a Middle East solution.

The article appears to be a stricture against the fedayeen, possibly prompted by the recent guerilla attack on the oil pipeline in the Golan Heights. The message to Cairo seems to be that it should not undertake rash actions along the Suez Canal and should avoid direct involvement in fedayeen excesses.

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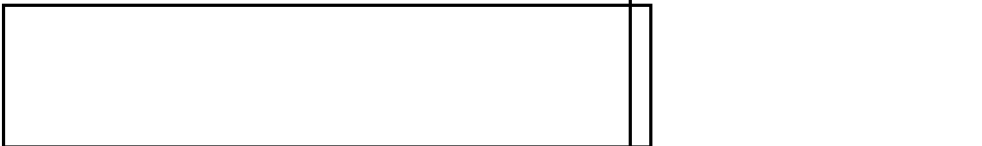
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Egypt-France: France will deliver up to 1.8 million tons of wheat to Egypt over the next three years.

Under the terms of a recent agreement, France will supply 500,000 tons of wheat per year at the current market price and provide an additional 90,000 tons annually on a grant basis. Deliveries under the first year's contract are planned to begin this August. To finance the transaction, Paris will extend up to \$27 million in credit annually on two-year terms.

Egypt's scheduled wheat imports probably now will be sufficient to meet Cairo's grain import requirements, at least through January 1970. Deliveries of 560,000 tons of French wheat and wheat flour under an earlier contract are to be completed by September. Last month Moscow began shipping wheat under its commitment to provide 300,000 tons this year, and Egypt is also procuring wheat from other sources. Cairo's annual import requirements are in excess of 2 million tons.



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NATO - European Caucus: [Britain's efforts to form a European grouping within the Alliance appear to be making greater headway than expected.]

[The ten participants in the group--all the European NATO members with the exception of France and Portugal--are now reported to have established two sub-groups, one dealing with joint military production and the other with force levels. The first sub-group is looking into the kinds of weapons system most suitable for joint European production, but may later review the possibilities of cooperating in logistics systems and training.]

[With the British taking the lead, the sub-group on forces has been actively opposing unilateral force reductions in Western Europe. This activity apparently helped influence the defense ministers; they took a strong line last week at the "Eurodinner" in opposing the proposed Canadian cuts. British Defense Minister Healey has sought--apparently unsuccessfully--to have the group consider strategic and defense policy issues. He is also thinking of proposing a third sub-group to consider the implications for Europe of the upcoming US-Soviet talks on strategic arms limitation.]

[Some of the participants in the caucus apparently remain skeptical as to how productive it will ultimately be, and the Dutch, at least, continue to have doubts that the US fully supports its development.]



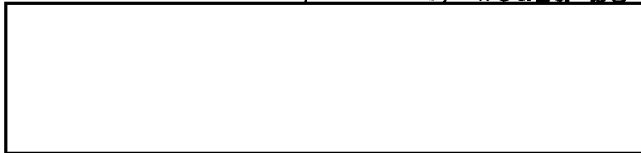
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NOTE

East Germany - Egypt: East Germany's Foreign Minister Winzer is in Cairo to sound out the Egyptians on establishing diplomatic relations. He was quoted as saying that his talks will take place "in light of the growing movement of recognizing" East Germany. Winzer arrived from Damascus, where he signed an agreement formalizing the establishment of relations with Syria. If Egypt recognizes East Germany in the wake of the recent moves by Iraq, Cambodia, Sudan, and now Syria, Pankow's chances of gaining recognition from other Arab and third world countries probably would be greatly enhanced.



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